

December 8, 1998

The Honorable David M. Beasley, Governor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program for the year ended June 30, 1998, was issued by Pratt-Thomas, Gumb & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/tdc

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
YEAR ENDED JUNE 30, 1998**

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM**

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INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina office of the State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program solely to assist The Citadel in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 1998. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We obtained from the accounting manager the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program, for the year ended June 30, 1998, as prepared by accounting of The Citadel and shown as Attachment A in this report. We recalculated the addition of the amounts on the statement, traced those amounts to management's worksheets and agreed the amounts on management's worksheets to the 26000 series of accounts in The Citadel's general ledger. We discussed the nature of the worksheet adjustments with management to satisfy ourselves that the adjustments were appropriate. We found no exceptions as a result of the procedures.

2. We obtained from management a list of all outside organizations not under The Citadel's accounting control. Such an organization has as its principal or one of its principal purposes the generating of resources for or on behalf of The Citadel's Intercollegiate Athletics Program or the promotion of the program. Management included one outside organization, The Brigadier Foundation. We also obtained descriptions

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2. (Continued)
of The Citadel's methods for gathering information on the nature and extent of The Brigadier Foundation's activities. We found no exceptions as a result of the procedures.
3. From the internal auditor, we obtained copies of The Brigadier Foundation's financial statements for The Citadel's fiscal year and confirmed the revenues and expenditures on these statements directly with responsible officials of the organization. We found no exceptions as a result of the procedures.
4. We requested from internal audit a list of all expenditures made directly by the respective outside organizations (not under The Citadel's accounting control) for or on behalf of The Citadel's Intercollegiate Athletics Program or employees. Internal audit and accounting indicated that there are no such outside organizations.
5. We requested a list of material additions to restricted, endowment, and plant fund accounts related to intercollegiate athletics from the internal auditor. We were told by internal audit and accounting that there were none.
6. We scanned the intercollegiate athletics program contributions revenue accounts detail from the general ledger to identify each individual contribution received directly that constitutes more than ten percent of all contributions received for intercollegiate athletics. For the recorded receipt, we reviewed the supporting documentation to determine it was properly classified, to identify if it was received from an independent outside source (which don't have as one of their principal purposes the promotion and support the athletics program), and to determine that source and value of such contribution is disclosed in a footnote to the statement. We found no exceptions as a result of the procedures.
7. From daily cash receipts of the athletics department, we randomly selected thirty percent of total receipts for intercollegiate athletics and tested them to determine if they were properly recorded and classified in the accounting records based on our review of the supporting documentation. We found no exceptions as a result of the procedures.

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8. We asked management to describe specific elements of The Citadel's internal control over financial reporting unique to the Intercollegiate Athletics Program's accounting system and financial reporting.
 - a. Based on the materiality of certain revenue sources as reported on the statement, we tested recorded ticket sales, game guarantees, and student activity fees to determine if they were complete and properly classified based on a review of the supporting documentation of football ticket sales reports prepared by the internal auditor; game guarantee contracts and actual versus budget analysis; student enrollment schedules. The total of the selected items was 30% of the aggregate total of recorded revenues. We also tested the selected recorded revenues to determine if internal controls over the reporting of these revenues were operating as described. We found no exceptions as a result of the procedures.
 - b. Based on the materiality of certain expenditure accounts reported on the statement, we tested randomly selected recorded expenditures for salaries and benefits to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of budget versus actual analysis and if internal controls over the reporting of these expenditures were operating as described. The total of the selected items was 33% of the aggregate total of recorded expenditures. We found no exceptions as a result of the procedures.
 - c. We obtained a copy of The Citadel's internal auditor's report on its review and reconciliation of ticket sales for one of the six home football games by verifying its mathematical accuracy and agreeing amounts thereon to the supporting documentation. The report indicates findings which are presented in Appendix B in the Accountants' Comments section of this report.

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- d. We tested reported student activity fees revenue for reasonableness by comparing the recorded amount to our estimate of the fees using student enrollment and the fee per student per semester. We identified no material unexplained variance.
9. We obtained all daily cash receipts reports for the Intercollegiate Athletics Program prepared by the athletics department. We randomly selected five of these reports for testing, verified their clerical accuracy, reviewed supporting documentation to determine if the receipts were properly classified, and traced the receipts to The Citadel's Intercollegiate Athletics Program series of general ledger accounts. We found no exceptions as a result of the procedures.
10. We examined guarantee contracts for all football and basketball games during this fiscal year 1998. We compared the contract revenues to recorded revenues in the general ledger series of accounts of the intercollegiate athletics program. We also compared football guarantee expenditures per the contracts to expenditures recorded in the expenditure accounts in the general ledger series of accounts of the Intercollegiate Athletics Program. We identified no material unexplained differences.
11. We obtained a schedule of athletics department salaries from internal audit prepared by accounting and agreed those amounts to the appropriate general ledger salary accounts. We estimated the related employer contributions expenditures using The Citadel's average fringe benefits rates for comparably paid employees and compared our estimates with reported expenditures in the appropriate general ledger accounts. We identified no material unexplained differences.
12. We asked accounting and internal audit to explain its method for allocating overhead to the athletics programs. We were told that overhead is not allocated within the athletics department among programs. We performed tests and analyses to determine if the overhead amounts for fiscal year 1998 were reported in accordance with the described practice and if the basis for allocation is properly disclosed in a footnote to the statement in accordance with the described practices. We found no exceptions as a result of the procedures.

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We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and on the effectiveness of the internal control over financial reporting described in paragraph one and procedures one through twelve of this report. accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the financial statements of The Citadel, The Military College of South Carolina's Intercollegiate Athletics Program or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users and should not be used by those who have not agreed to the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Charleston, South Carolina
November 25, 1998

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO FINANCIAL STATEMENT
JUNE 30, 1998**

1. Allocation of Overhead

The Citadel prepares an annual study of overhead to charge to all of its auxiliary activities. The overhead charged to the athletics department is derived from that study. The study is reviewed as part of the college's regular financial audit, and is comprised of an allocation of various institutional costs.

2. Contributions

The Citadel received one contribution from an outside organization which exceeded ten percent of all contributions to the athletics department during the year ended June 30, 1998.

The contribution was received from The Brigadier Foundation in the amount of \$610,000, and the purpose of the contribution is restricted to scholarships.

ACCOUNTANTS' COMMENTS

During the 1997 football season, "Val-Pak" coupons were issued for buy one, get one free tickets, with each coupon exchangeable for up to six tickets. The coupons could be exchanged for \$16 or \$14 reserved tickets or \$8 general admission tickets. The coupons could be exchanged for one to six tickets per coupon.

The actual volume and ticket price of tickets issued in exchange for coupons was not recorded for any game. As a result, ticket count reconciliations cannot be verified, and variances in the comparison of the reconciliation to deadwood totals (remaining unused tickets) cannot be accounted for or identified properly. Also, ticket sellers could take cash and replace it with a coupon without detection because there are no internal controls over the coupons.

We recommend that coupons be made exchangeable for only one ticket, and that the coupons indicate the denomination of ticket for which it may be exchanged. Also, coupon users should provide name and address when exchanged in order to reduce the possibility of ticket seller fraud. The reconciliations that are now prepared are not complete because of the tickets issued for coupons. The reconciliations should fully reconcile ticket counts (including those issued for coupons) and attendance to ticket sales reports. Also, the coupons received should be reconciled to the free tickets issued by ticket denomination.

This comment is repeated from our report on the fiscal year ended June 30, 1997, but because the football season of the year ended June 30, 1998 had already ended, Management was unable to make the changes in time for this report. As Management indicates in the response, the necessary changes will be made for the next reporting period.

